### Port Congestion (Source: Global Ports)

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### Index (Total Return)

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<td>Baltic Capesize</td>
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<td>Baltic Panamax</td>
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### Cash Prices

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<td>Coal Newcastle</td>
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### Market News

**Freight**
- Weak capesize, panamax activity pull down Baltic sea freight index
- Norway's DNB bank sells debt position in shipping firm Genco

**Coal**
- Euro Coal-ARA prices at 5-week low on ample supply
- China's smog threatens health of global coal projects
- India's Hindalco says coal mining delays to hit profitability

**Iron Ore**
- Shanghai rebar set for worst week since May
- Severstal sees steel prices near bottom, slow recovery
- Salzgitter says recovery not reaching steel sector yet
- BHP suspends Australia nickel mine after small earthquake
- China switches track in hunt for West African iron ore

### Todays Markets

**Freight:** The Baltic Exchange’s main sea freight index, which gauges the cost of shipping bulk commodities such as iron ore, grain, coal and fertiliser, fell for the sixth consecutive day on Thursday, on weakening demand for capesize and panamax. The overall index, which factors in the average daily earnings of capesize, panamax, supramax and handysize dry bulk vessels, lost 14 points, or 0.91 percent, at 1,517 points.

**Iron Ore:** Physical coal prices for delivery to Europe declined on Thursday to $83 per tonne, a five-week low, due to ample supplies and steady output from producers. The Amsterdam, Rotterdam and Antwerp (ARA) contract lost $0.15 per tonne on Thursday in a thinly traded market compared with Wednesday’s settlement, a coal trader from a bank said.

**Euro Coal:** Shanghai steel futures slipped and were set to post their biggest weekly loss since May amid tepid demand in top consumer China, spurring caution among mills buying raw material iron ore to build up winter stockpiles. "They're buying because they don't have much inventory but they're buying really carefully because the price of iron ore is still quite high and steel prices are low," said an iron ore trader in Hangzhou in China’s eastern Zhejiang province.

**Global Markets:** Asian share markets sped ahead as investors took comfort in the prospect of extended U.S. monetary stimulus, while a falling yen had Japanese stocks gunning for their biggest weekly increase in almost four years. "The market is flourishing from a 'Yellen effect', soothing worries about liquidity to bring back foreign inflows," said Kim Hak-gyun, a market analyst at KDB Daewoo Securities.
MARKET NEWS

Weak capesize, panamax activity pull down Baltic sea freight index

Nov 14 (Reuters) - The Baltic Exchange's main sea freight index, which gauges the cost of shipping bulk commodities such as iron ore, grain, coal and fertiliser, fell for the sixth consecutive day on Thursday, on weakening demand for capesize and panamax.

The overall index, which factors in the average daily earnings of capesize, panamax, supramax and handysize dry bulk vessels, lost 14 points, or 0.91 percent, to 1,517 points.

The Baltic's capesize index fell 58 points, or 2.36 percent, to 2,397 points.

Average daily earnings for capesizes, which usually transport 150,000-tonne cargoes such as iron ore and coal, were down $398 at $18,146.

The Baltic's panamax index shed 36 points, or 2.44 percent, to 1,438 points, hitting its lowest since Sept. 19.

Average daily earnings for panamaxes, which usually transport 60,000-70,000-tonne cargoes of coal or grain, lost $288 at $11,492.

Euro Coal-ARA prices at 5-week low on ample supply

LONDON, Nov 14 (Reuters) - Physical coal prices for delivery to Europe declined on Thursday to $83 per tonne, a five-week low, due to ample supplies and steady output from producers.

The Amsterdam, Rotterdam and Antwerp (ARA) contract lost $0.15 per tonne on Thursday in a thinly traded market compared with Wednesday's settlement, a coal trader from a bank said.

He blamed oversupply for the drop, "although stockpiles at some terminals look low", which could lend some support to ARA prices after a week-long streak of losses.

South African cargoes from the Richards Bay terminal for December delivery slipped $0.10 on the day to trade at $80.25 a tonne.

South African cargoes have declined in price compared with the start of the week when they fetched around $80.70/

January coal prices shifted lower in response to $83.50 a tonne, down $0.15 compared with Wednesday's settlement price, according to globalCOAL's trading platform.

The price premium of European December-delivered coal over South African cargoes has narrowed during the week to $2.75 from slightly over $3 earlier.

China's smog threatens health of global coal projects

By Fayen Wong

SHANGHAI, Nov 15 (Reuters) - A choking smog across much of northern China threatens not just the health of local residents, but also of major coal projects globally that are still on the drawing board.

Beijing's plans to tackle pollution largely target coal-fired power, which will hit already slowing demand in the world's top importer of the fuel.

With China's coal demand the primary driver for a slew of mine investments over the past decade, this trend could derail a list of capital intensive coal projects from Australia to Indonesia and Mozambique.

Even without the environmental drive, new railways from mines to ports, falling investment in coal-fired generation and slowing power demand growth could see China's miners export some of their surplus output at competitive prices, hitting regional miners and the viability of new projects.

This is a major shift for a country that built an average of two coal-fired power plants every week in the last decade, went from net exporter in 2009 to the world's top importer just two years later, and burns nearly as much coal as the rest of the world combined.

"China is kicking its coal addiction," said Chen Yafei, vice-director at the China Coal Research Institute. "With slower economic growth and a big push towards gas and renewables, the golden decade for coal is over."

China's coal imports grew by 17 percent in the first 10 months of the year, down by nearly half from the 30 percent in 2012. With weak demand and high domestic output, inventories have been stuck at record high levels of 300 million tonnes most of this year.

China's massive jump in coal use - to 3.8 billion tonnes in 2012 from 2.5 billion tonnes in 2006 - drove prices of benchmark Asian thermal coal to average $121 a tonne in 2011, from less than $50 five years earlier.

But a raft of mine expansions during the boom years and weak demand caused by the global economic slowdown pushed prices to a 3-year low near $80 a tonne in October 2012, and they have stayed below $100 since.

Goldman Sachs expects seaborne coal trade to grow at just 1 percent until 2017, compared with 7 percent from 2007-12.

ROJECTS IN PERIL

Miners bullish on demand are planning projects in areas that need significant infrastructure investment, such as the Galilee basin in Australia and the Sumatra region in Indonesia, but need high prices for the projects to make sense.

India's GVK Power & Infrastructure and Adani Enterprises are amongst those spending billions of dollars on new mines in the remote Galilee Basin.

State coal miner PT Bukit Asam's $2 billion coal railway project in Indonesia's South Sumatra is in doubt after India's Adani Group pulled out. Sumatra holds half of the country's resources.
but accounts for just 4 percent of output due to infrastructure constraints.

In Mozambique massive spending is needed on railways and ports to allow companies like Rio Tinto Ltd and Vale SA to make the most of potential reserves.

"The prospect of weaker demand growth and prices at near marginal production costs suggest that most thermal coal growth projects will struggle to earn a positive return for their owners," Goldman Sachs said in a report. In Australia, about 40 out of 71 thermal coal mines surveyed by consultancy Wood Mackenzie had a cash cost of above $87 a tonne, while many of the proposed projects require a coal price of $120 a tonne to be viable, according to a report by Australia's Centre of Policy Development.

They could soon find themselves competing with Chinese coal, which is set to become more competitive as production costs fall.

Beijing is mulling proposals to scrap a 10-percent coal export tariff, a move which could easily see shipments jump four-fold to the annual quota of 38 million tonnes as Chinese coal becomes more competitive.

Plans by the railway ministry to double the volume of coal carried on dedicated railroads to 2.4 billion tonnes by 2015 will cut production costs, as will an ongoing mine consolidation.

Railway tariffs cost about 0.15 yuan per tonne for each kilometre, less than half the cost of around 0.35 yuan by truck, according to data from the China Coal Transport and Distribution Association.

More coal moving by rail will cut China's average production cost for thermal coal in the next 2-3 years by $10-$15 a tonne to $80-90, including value-added tax, according to brokerage CLSA.

KICKING THE COAL ADDICTION

Power demand growth has fallen even further than economic growth as China has cut its energy use to about 0.7 times GDP growth, according to Reuters calculations based on data from the statistics bureau. That compares with an average multiplier of 1.1 times from 2005-2012.

A surge in hydropower, nuclear and gas power has cut coal's share in power generation to 73 percent this year, from 78 percent in 2007, and this is set to move even lower.

Hydropower capacity is targeted to grow about 6 percent a year to reach 290 gigawatts by 2015, nuclear capacity to quadruple to 58 gigawatts by 2020 and gas-fired capacity to double to 56 gigawatts by 2015.

That compares with an expected 4 percent annual growth in thermal power capacity, half that seen between 2005 and 2011, said Liu Xiangdong, director of planning statistics of the China Electricity Council.

"The pollution question in China is huge so they will shift more towards gas for transportation and in power, no matter how high the price is," Ian Taylor, chief executive of Swiss trading house Vitol, told Reuters.

"The move will come largely at the cost of lower coal use. I personally worry that coal is going to be a problem as demand will come off much faster than we think."

India's Hindalco says coal mining delays to hit profitability

By Krishna N Das

NEW DELHI, Nov 12 (Reuters) - Indian aluminium and copper producer Hindalco Industries said on Tuesday that delays in obtaining coal mining rights would weigh on its profit growth, as it will be forced to buy the fuel on the open market.

Hindalco and its chairman, billionaire Kumar Mangalam Birla, are being investigated by India's federal police as part of a probe into possible irregularities in the allocation of coal blocks to several companies over the past two decades.

The company has denied any wrongdoing, and India's prime minister and the coal ministry have said they were satisfied with the outcome of the allocation process.

However, Hindalco is unable to exploit the block that was allocated to it along with Mahanadi Coalfields, a unit of Coal India Ltd, and Neyveli Lignite Corp eight years ago.

The coal from the block was supposed to fuel a project currently ramping up in the eastern Odisha state which includes a bauxite mine with capacity of 4.2 million tonnes a year, a 1.5 million-tonnes-per-year alumina refinery and a smelter.

The smelter is expected to start operating by the end of the year, according to Hindalco's website.

"We will have to buy coal from the open market and will be vulnerable to market vagaries," Managing Director D. Bhattacharya told reporters in Mumbai.

The company, India's second-biggest producer of both copper and aluminium, reported a lower-than-expected net profit for its fiscal second quarter.

"Greenfield projects are ramping up as planned, however EBITDA (earnings before interest, taxes, depreciation and amortisation) streams will take time to scale up with delayed access to captive coal," it said.

FALLING PRICES

Hindalco has also been hit by falling global prices. Three-month aluminium prices on the London Metal Exchange averaged 5 percent lower in the July-September quarter from a year earlier, while copper prices averaged about 8 percent lower.

Bhattacharya said there was "degrowth in demand" for aluminium, which means that oversupply will continue in the short term as India's economy slows down.

Bhavesh Chauhan, senior analyst at Angel Broking in Mumbai, rates the company's stock "neutral".

"Looking ahead, low aluminium prices, sticky costs and delay in commencement of mining from captive blocks are expected to mute Hindalco's profitability growth over the coming two years," Chauhan said.

Hindalco's shares, which have lost a fifth of their value this year, fell slightly after it reported its second-quarter results. They were up more than 2 percent earlier on Tuesday.

Its unit Novelis Corp, the world's top maker of rolled aluminium sheets, said on Monday its net income for the April-September period sank 74 percent due to overcapacity in the North American beverage can market.

Shanghai rebar set for worst week since May

By Manolo Serapio Jr

SINGAPORE, Nov 15 (Reuters) - Shanghai steel futures slipped on Friday and were set to post their biggest weekly loss since May amid tepid demand in top consumer China, spurring caution among mills buying raw material iron ore to build up winter stockpiles.

Benchmark spot iron ore prices have moved by less than a dollar this week, reflecting hesitation by Chinese buyers at a time of ample supplies.

The most traded rebar contract for May 2014 delivery on the
MARKET NEWS (Continued)

Shanghai Futures Exchange was down 0.2 percent at 3,622 yuan ($595) a tonne by 0323 GMT, and has lost 1.5 percent this week. That is its steepest weekly decline since the last week of May, when it fell by almost 4 percent.

Iron ore, also for delivery in May, on the Dalian Commodity Exchange eased 0.2 percent to 938 yuan a tonne, down slightly for the second week in a row.

Some Chinese steel mills were buying spot iron ore cargoes as temperature continues to drop in the northern part of the country, but they are doing so cautiously.

"They're buying because they don't have much inventory but they're buying really carefully because the price of iron ore is still quite high and steel prices are low," said an iron ore trader in Hangzhou in China's eastern Zhejiang province.

China, which buys about two-thirds of the more than 1 billion tonnes of iron ore sold globally, tends to rely more on imports from Russia, where growth has outpaced other markets, with North America accounting for almost a third and Europe for just 13 percent. More than 70 percent of its Russian steel production, though, was sold at home.

Kulichenko said Severstal was being squeezed in Russia by local competitors with less access to export markets. However, demand was holding up better than elsewhere, particularly in construction, meaning the group will continue to redirect export sales to the domestic market. By 2017, 80 percent of its Russian steel division's sales volumes will be domestic, according to a presentation to analysts on Thursday.

OVERCAPACITY

The steel market has been dogged by excess production, and Severstal's billionaire majority owner and chief executive Alexey Mordashov has, like others, called for coordinated capacity cuts. But many have questioned the industry's ability to do that, given political pressures in Europe that have hampered efforts to cut jobs, and increasing output and exports from China.

"I don't believe it could easily happen," Kulichenko said of capacity cuts, pointing to ArcelorMittal's travails in France, when it sought to close blast furnaces at Florange in July, as an example of difficulties faced in Europe.

Severstal, though, will not invest in expanding its capacity beyond Balakovo, a mill in southern Russia due to begin producing later this year.

"We do not really believe today that investment in steelmaking is paying, and for us it means we are focused on internal efficiency and improvement rather than putting more volumes to the market in this environment."

Consolidation has also been seen as a potential solution for the industry's woes, but Kulichenko said Severstal, which has in the past been seen as a potential partner for rivals like peer Evraz, would be cautious: it would not use cash and would focus on synergies.

"It's not about size. It is really about where the synergies could be created," he said.

Severstal, like other companies with mining exposure, has sought to move away from costly projects to build mines from scratch. It is currently working on a feasibility study for its Putu iron ore project in Liberia, potentially opening the door for partners to share in the upside - but also cost and risk - as early as next year.

Severstal plans to cut spending to $1 billion next year from $1.3 billion this year, $600 million of that to be spent on maintenance.

Kulichenko said he expected iron ore prices to fall from almost $140 currently to around $110-120 per tonne in the medium term, but said they were unlikely to fall below $100 per tonne thanks to strong demand from Chinese steelmakers.

Iron ore has been more resilient than many expected this year as high volumes of steel production in China supported Chinese demand and offset some of the negative impact from growing supply.

"Salzgitter says recovery not reaching steel sector yet"

FRANKFURT, Nov 14 (Reuters) - Germany's Salzgitter said on Thursday that any green shoots of economic recovery in Europe were so far eluding the steel sector because of oversupply, reaffirming its full-year outlook for the pretax loss to quadruple.

The $500-billion-a-year global steel industry, a gauge of economic health, has suffered from a drop in demand in Europe...
MARKET NEWS (Continued)

and worries over Chinese growth prospects. Salzgitter, Germany’s second-biggest steelmaker, is cutting more than 1,500 jobs, or 6 percent of its workforce, as it battles the downturn in which demand for cars, appliances and new buildings remains weak in austerity-hit Europe.

While some sectors in Europe have recently reported positive developments, Salzgitter said there is no improvement in the construction industry yet.

However, prices could firm up thanks to a slight pick-up in demand and low inventory levels of traders and consumers, even if the chasm between the northern and southern European steel markets is unlikely to narrow in the short term.

For this year Salzgitter expects its group pretax loss to widen to about 400 million euros ($536 million) from 102 million euros last year.

In the third quarter its loss widened to 64.3 million euros from 24.5 million, roughly in line with the consensus forecast in a Reuters poll.

ArcelorMittal, the world’s largest steelmaker, said last week that its two-year slump was over and prospects for 2014 are looking up after higher U.S. steel shipments and mining output boosted third-quarter profits.

Germany’s top steelmaker ThyssenKrupp is due to publish quarterly results on Nov. 21.

BHP suspends Australia nickel mine after small earthquake

SYDNEY, Nov 13 (Reuters) - BHP Billiton will post lower nickel production in the current quarter after a minor earthquake closed down operations at its Perseverance mine in western Australia.

Workers in the underground mine escaped injury from the magnitude 3.7 earthquake on Oct. 31 by taking refuge in a specially designed chamber, where they had access to water and communications. They were brought safely to the surface later in the day, BHP said.

Operations at the mine, located about 500 kms (300 miles) from Perth, have been halted while experts assess the impact on operations, the company said on Wednesday.

The company’s nearby Mt Keith, Cliffs and Kambalda mines and its Kalgoorlie smelter and Kwinana refinery were not affected by the quake and were operating as normal, BHP said.

Production from the Kwinana nickel refinery on the western Australian coast would be maintained in the short term, but the suspension at Perseverance was likely to reduce total saleable nickel output in the December 2013 quarter, it said.

BHP said a small crew was working underground to re-establish access, carry out inspections, assessments and maintenance of essential services.

Other staff had been notified that they are not required at work until further notice, BHP said.

BHP’s nickel production increased by 9 percent year-on-year in the September 2013 quarter to 40,000 tonnes, reflecting a strong operating performance by its Nickel West division, the company said on Oct 22.

BHP settled 1.2 percent lower in line with losses in the wider market.

China switches track in hunt for West African iron ore

By Stephen Eisenhammer and Sonali Paul

LONDON/ MELBOURNE, Nov 12 (Reuters) - When a Chinese official said his country wanted half its iron ore imports to come from firms with Chinese involvement in five to 10 years, investors bet West Africa would benefit.

Nearly three years on, many have been disappointed.

But executives and analysts say China, the world's largest consumer of iron ore, is tying up supply of the steel-making commodity in the region, as forecast - but through sales deals and associated infrastructure rather than acquisitions.

Iron ore explorers in the region are out of favour with traditional Western investors. Firms like Bellzone, Sundance, and West African Minerals have seen shares fall about 70 percent this year, as, in some cases, operational issues added to price and confidence woes.

China has also been more cautious, smarting from multibillion dollar projects like CITIC Pacific’s Sino Iron that have yet to ship ore and investments that soured.

The type of Chinese firms looking to invest in West African iron ore is changing, with much of the interest coming from railway and construction firms - whose role is critical in a region with little or no infrastructure - and import companies, rather than heavyweight mining state-owned enterprises (SOEs).

“The big SOEs entered the overseas market earlier. None of them have been successful. They have been left with a bad taste,” Guocheng Pan, chief executive at iron ore miner China Hanking Holdings, told Reuters.

“Those (West African) projects will go ahead, it’s just a matter of time,” he added.

Chinese investors are also happier to look to the long term.

“One year, two years, five years means nothing to most Chinese firms,” said Hunter Hillcoat, analyst at Investec. “They may still be very much heading towards building up capacity out of West Africa... but they’ll do it in their own time.”

West Africa has yet to meet expectations it could be the region’s equivalent of Australia’s Pilbara. But at stake are dozens of smaller mining projects in Cameroon, Republic of Congo, Gabon, Guinea, Liberia and Sierra Leone looking to produce at least 115 million tonnes a year of iron ore.

They are vying to help feed the construction boom in China which is expected to drive demand for iron ore imports to 1 billion tonnes by 2018, according to Australia’s Bureau of Resources and Energy Economics.

CHINESE PARTNERSHIPS

Heads of smaller miners in West Africa say Chinese firms are still at the table as the country looks to ease its dependence on the three mega producers, Vale, Rio Tinto and BHP Billiton, but are not interested in taking over entire companies as in the past.

“From what we have seen the Chinese would very much like collaboration and to work in partnership,” Haresh Kanabar, chairman of IMIC, which is buying Cameroon-focused miner Afferro told Reuters.

IMIC has positioned itself as an investment company with strong Chinese contacts, looking to buy stakes in West African miners while securing infrastructure deals with Chinese firms.

“The appetite is there,” Kanabar added.

Before even bidding for Afferro, IMIC sorted partnerships with a subsidiary of China Railway Group (CREC) to build the infrastructure and iron ore importer China Railway Materials (CRM) to arrange offtake from Afferro’s Nkont mine.

This marks a shift from just a few years ago, when big national Chinese miners were taking equity stakes in West African projects. These have had mixed success.

National Aluminium company, Chalco, led a Chinese consor-
MARKET NEWS (Continued)

tium which bought just under 45 percent of the Simandou iron ore deposit in Guinea from Rio Tinto in 2010. Yet, though it is one of the biggest untapped iron ore deposits in the world, Simandou is still years from production.

In 2012, Shandong Iron and Steel took a 25 percent stake in Sierra Leone-focused African Minerals for $1.5 billion, including a sales agreement. A slower than expected ramp-up has led to the miner paying a charge.

Sundance, whose Mbalam-Nabeba iron ore mine straddles Cameroon and the Republic of Congo, was expected to be next. But the takeover by China’s Hanlong Group fell through this year, leaving Sundance to raise money though other means.

Sundance Chief Executive Giulio Casello told Reuters Chinese state-owned construction companies and other international construction firms were interested in the project, one of the biggest in the region, with all key approvals in hand.

He was confident a partnership would be sorted by early 2014 and would not have the same problems as the Hanlong deal.

“This is different. This is not a takeover,” Casello said.

“This is about construction companies building port and rail, providing debt and us using the resource to pay that off.”